

FIRST REGULAR SESSION

# SENATE BILL NO. 449

94TH GENERAL ASSEMBLY

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INTRODUCED BY SENATOR CALLAHAN.

Read 1st time February 6, 2007, and ordered printed.

TERRY L. SPIELER, Secretary.

1836S.011

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## AN ACT

To repeal section 143.124, RSMo, and to enact in lieu thereof one new section relating to income taxation of retirement and pension income.

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*Be it enacted by the General Assembly of the State of Missouri, as follows:*

Section A. Section 143.124, RSMo, is repealed and one new section  
2 enacted in lieu thereof, to be known as section 143.124, to read as follows:

143.124. 1. Other provisions of law to the contrary notwithstanding, the  
2 total amount of all annuities, pensions, or retirement allowances above the  
3 amount of six thousand dollars annually provided by any law of this state, the  
4 United States, or any other state to any person except as provided in subsection  
5 4 of this section, shall be subject to tax pursuant to the provisions of this chapter,  
6 in the same manner, to the same extent and under the same conditions as any  
7 other taxable income received by the person receiving it. For purposes of this  
8 section, annuity, pension, or retirement allowance shall be defined as an annuity,  
9 pension or retirement allowance provided by the United States, this state, any  
10 other state or any political subdivision or agency or institution of this or any  
11 other state. For all tax years beginning on or after January 1, 1998, for purposes  
12 of this section, annuity, pension or retirement allowance shall be defined to  
13 include 401(k) plans, deferred compensation plans, self-employed retirement  
14 plans, also known as Keogh plans, annuities from a defined pension plan and  
15 individual retirement arrangements, also known as IRAs, as described in the  
16 Internal Revenue Code, but not including Roth IRAs, as well as an annuity,  
17 pension or retirement allowance provided by the United States, this state, any  
18 other state or any political subdivision or agency or institution of this or any  
19 other state. An individual taxpayer shall only be allowed a maximum deduction

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.**

20 of six thousand dollars pursuant to this section. Taxpayers filing combined  
21 returns shall only be allowed a maximum deduction of [six] **nine** thousand  
22 dollars for each taxpayer on the combined return.

23         2. For the period beginning July 1, 1989, and ending December 31, 1989,  
24 there shall be subtracted from Missouri adjusted gross income for that period,  
25 determined pursuant to section 143.121, the first three thousand dollars of  
26 retirement benefits received by each taxpayer:

27             (1) If the taxpayer's filing status is single, head of household or qualifying  
28 widow(er) and the taxpayer's Missouri adjusted gross income is less than twelve  
29 thousand five hundred dollars; or

30             (2) If the taxpayer's filing status is married filing combined and their  
31 combined Missouri adjusted gross income is less than sixteen thousand dollars;  
32 or

33             (3) If the taxpayer's filing status is married filing separately and the  
34 taxpayer's Missouri adjusted gross income is less than eight thousand dollars.

35         3. For the tax years beginning on or after January 1, 1990, there shall be  
36 subtracted from Missouri adjusted gross income, determined pursuant to section  
37 143.121, a maximum of the first six thousand dollars of retirement benefits  
38 received by each taxpayer from sources other than privately funded sources, and  
39 for tax years beginning on or after January 1, 1998, there shall be subtracted  
40 from Missouri adjusted gross income, determined pursuant to section 143.121, a  
41 maximum of the first one thousand dollars of any retirement allowance received  
42 from any privately funded source for tax years beginning on or after January 1,  
43 1998, but before January 1, 1999, and a maximum of the first three thousand  
44 dollars of any retirement allowance received from any privately funded source for  
45 tax years beginning on or after January 1, 1999, but before January 1, 2000, and  
46 a maximum of the first four thousand dollars of any retirement allowance  
47 received from any privately funded source for tax years beginning on or after  
48 January 1, 2000, but before January 1, 2001, and a maximum of the first five  
49 thousand dollars of any retirement allowance received from any privately funded  
50 source for tax years beginning on or after January 1, 2001, but before January 1,  
51 2002, and a maximum of the first six thousand dollars of any retirement  
52 allowance received from any privately funded sources for tax years beginning on  
53 or after January 1, 2002, **but before January 1, 2008, and a maximum of**  
54 **the first nine thousand dollars of any retirement allowance received**  
55 **from any privately funded sources for tax years beginning on or after**

56 **January 1, 2008.** A taxpayer shall be entitled to the maximum exemption  
57 provided by this subsection:

58 (1) If the taxpayer's filing status is single, head of household or qualifying  
59 widow(er) and the taxpayer's Missouri adjusted gross income is less than  
60 twenty-five thousand dollars; or

61 (2) If the taxpayer's filing status is married filing combined and their  
62 combined Missouri adjusted gross income is less than thirty-two thousand dollars;  
63 or

64 (3) If the taxpayer's filing status is married filing separately and the  
65 taxpayer's Missouri adjusted gross income is less than sixteen thousand dollars.

66 4. If a taxpayer's adjusted gross income exceeds the adjusted gross income  
67 ceiling for such taxpayer's filing status, as provided in subdivisions (1), (2) and  
68 (3) of subsection 3 of this section, such taxpayer shall be entitled to an exemption  
69 equal to the greater of zero or the maximum exemption provided in subsection 3  
70 of this section reduced by one dollar for every dollar such taxpayer's income  
71 exceeds the ceiling for his or her filing status.

72 5. For purposes of this section, any Social Security benefits otherwise  
73 included in Missouri adjusted gross income shall be subtracted; but Social  
74 Security benefits shall not be subtracted for purposes of other computations  
75 pursuant to this chapter, and are not to be considered as retirement benefits for  
76 purposes of this section.

77 6. The provisions of subdivisions (1) and (2) of subsection 3 of this section  
78 shall apply during all tax years in which the federal Internal Revenue Code  
79 provides exemption levels for calculation of the taxability of Social Security  
80 benefits that are the same as the levels in subdivisions (1) and (2) of subsection  
81 3 of this section. If the exemption levels for the calculation of the taxability of  
82 Social Security benefits are adjusted by applicable federal law or regulation, the  
83 exemption levels in subdivisions (1) and (2) of subsection 3 of this section shall  
84 be accordingly adjusted to the same exemption levels.

85 7. The portion of a taxpayer's lump sum distribution from an annuity or  
86 other retirement plan not otherwise included in Missouri adjusted gross income  
87 as calculated pursuant to this chapter but subject to taxation under Internal  
88 Revenue Code Section 402 shall be taxed in an amount equal to ten percent of the  
89 taxpayer's federal liability on such distribution for the same tax year.

90 8. For purposes of this section, retirement benefits received shall not  
91 include any withdrawals from qualified retirement plans which are subsequently

92 rolled over into another retirement plan.

93           9. The exemptions provided for in this section shall not affect the  
94 calculation of the income to be used to determine the property tax credit provided  
95 in sections 135.010 to 135.035, RSMo.

96           10. The exemptions provided for in this section shall apply to any annuity,  
97 pension, or retirement allowance as defined in subsection 1 of this section to the  
98 extent that such amounts are included in the taxpayer's federal adjusted gross  
99 income and not otherwise deducted from the taxpayer's federal adjusted gross  
100 income in the calculation of Missouri taxable income. This subsection shall not  
101 apply to any individual who qualifies under federal guidelines to be one hundred  
102 percent disabled.

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Bill

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